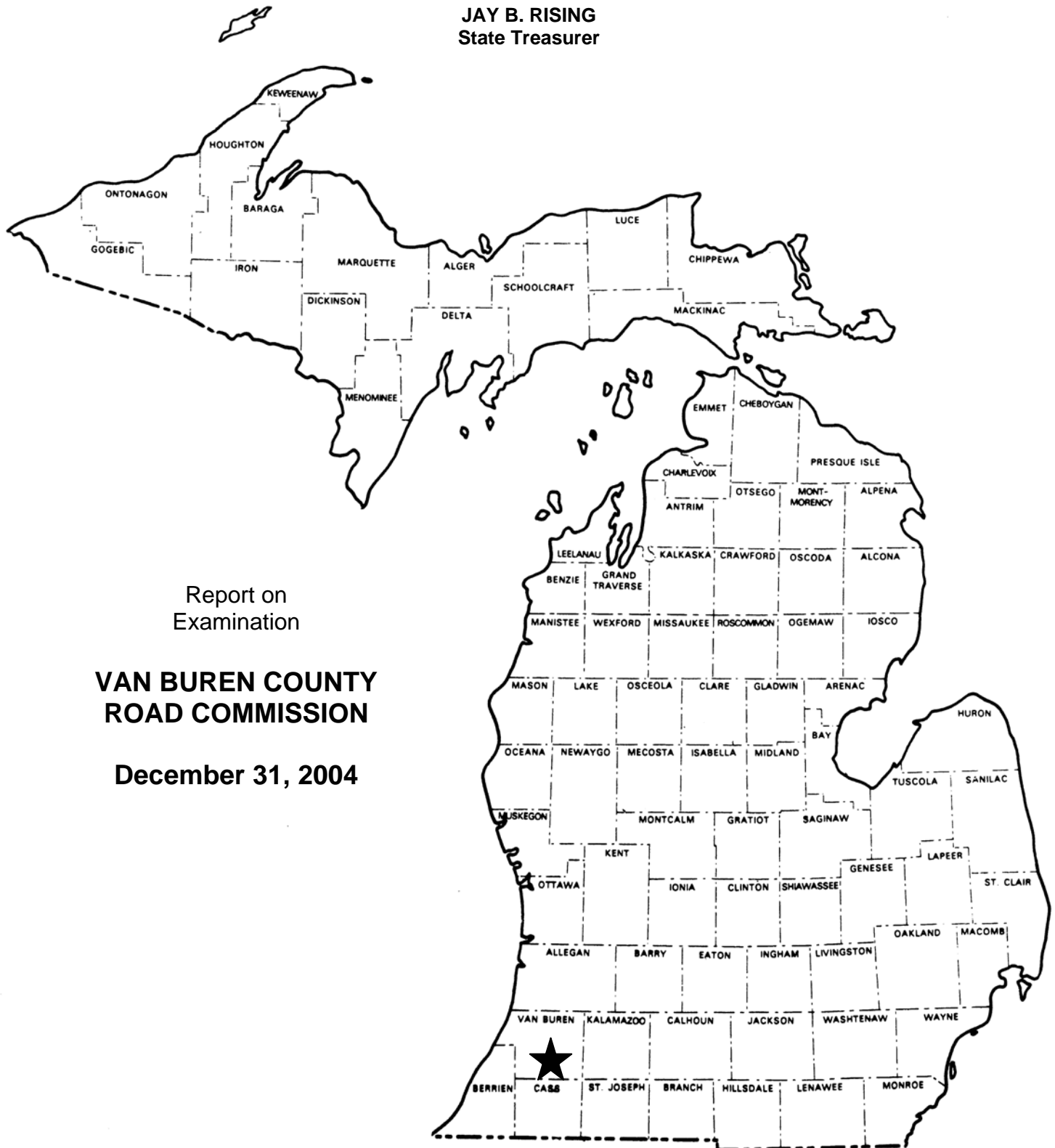


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**

JAY B. RISING  
State Treasurer



Report on  
Examination

**VAN BUREN COUNTY  
ROAD COMMISSION**

**December 31, 2004**

Local Audit and Finance Division  
Bureau of Local Government Services

VAN BUREN COUNTY ROAD COMMISSION  
BOARD OF COUNTY ROAD COMMISSIONERS

William D. Rhodes  
Chairman

John Roosevelt  
Member

Jean A. Stein  
Vice Chairman

Lawrence B. Hummel  
Engineer/Manager

Gregory M. Pardike  
Secretary/Accountant

COUNTY POPULATION--2000  
76,263

STATE EQUALIZED VALUATION--2004  
\$2,998,873,756



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

March 10, 2005

Van Buren County Road Commission  
Board of County Road Commissioners  
300 James Street  
P.O. Box 156  
Lawrence, Michigan 49064

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Van Buren County Road Commission, a component unit of Van Buren County, Michigan, as of and for the year ended December 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Van Buren County Road Commission as of December 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 1 through 8 and budget comparison information in Exhibit I and J are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2005 on our consideration of the Road Commission's internal control over financial reporting and our test on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Van Buren County Road Commission, taken as a whole. The accompanying supplemental and related information in Exhibits K through M is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# VAN BUREN COUNTY ROAD COMMISSION

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**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Van Buren County Road Commission, we offer the readers of the Road Commission's financial statements this narrative overview and analysis of the financial activities of the Road Commission for the fiscal year ended December 31, 2004.

***Financial Highlights***

This year's report is different from prior years due to the direction of the Governmental Accounting Standards Board (GASB) provided in Statement No. 34. The GASB is charged with developing "generally accepted accounting principles" (GAAP) for governmental entities and is the ultimate authority on GAAP for state and local governments.

Net assets may, over time, enable governmental agencies to determine their overall fiscal position. As shown on the Van Buren County Road Commission Net Asset schedule, the Road Commission's assets exceeded liabilities by \$51,188,287 at the end of the fiscal year.

***Overview of the Financial Statements***

The Road Commission's financial statements consist of four parts--Management's Discussion and Analysis (this section is intended to provide a basis of understanding of the Road Commission's basic financial statements) government-wide financial statements, fund financial statements, and notes to the financial statements. Supplementary information is also provided for additional informational purposes.

- The first two statements are government-wide financial statements that provide information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities, this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds, reporting the operations in more detail than the government-wide statements.

**Government-Wide Statements**

The Statement of Net Assets presents information on all of the Road Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of the Road Commission's overall fiscal position.

# VAN BUREN COUNTY ROAD COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Activities presents information showing how the Road Commission's net assets changed during the most recent fiscal year and the previous year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Both of the component unit financial statements distinguish the function of the Road Commission which is principally supported by State shared revenues (operating grants). The governmental activities of the Commission include providing construction and maintenance of roads and bridges, as well as contracted work on State Trunklines within Van Buren County.

The Road Commission has no legally separate component units for which the Road Commission is financial accountable. In this report, financial information for the Road Commission is reported separately from the financial information presented for Van Buren County, which reports the Road Commission as a component unit.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Road Commission, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Road Commission is accounted for in only one fund, which is the General Operations Fund.

**Governmental Fund.** This fund focuses on the inflows and outflows of money and the balances left at year-end that are available for expenditures. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services.

Because the focus of the General Fund is narrower than that of the government-wide financial statement's it is useful to compare the information presented for the General Fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the General Fund balance sheet and the General Fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the General Fund and the government-wide statements.

The Road Commission maintains one governmental fund (the General Fund). Information is presented in the General Fund balance sheet and in the General Fund statement of revenues, expenditures, and changes in fund balances for the Road Commission. The General Fund is a major fund for financial reporting purposes as defined by GASB Statement No. 34.

**VAN BUREN COUNTY ROAD COMMISSION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Road Commission adopts an annual appropriated budget for its fund. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The Road Commission does not maintain proprietary or fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Road Commission's financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this Management's Discussion and Analysis Section.

This is the Road Commission's second year of implementation of GASB Statement No. 34, which requires this new reporting model and, therefore, presents the first comparative analysis of government-wide data.

Net assets as of year ended December 31, 2004 is as follows:

	<u>2003</u>	<u>2004</u>	<u>Variance</u>	<u>Percent</u>
Assets				
Current and Other Assets	\$ 4,966,512	\$ 5,898,150	\$ 931,638	18.76%
Capital Assets	<u>45,746,763</u>	<u>47,415,172</u>	<u>1,668,409</u>	<u>3.65%</u>
Total Assets	<u>50,713,275</u>	<u>53,313,322</u>	<u>2,600,047</u>	<u>5.13%</u>
Liabilities				
Long-Term Debt Outstanding	519,897	324,329	(195,568)	-37.62%
Other Liabilities	<u>1,780,497</u>	<u>1,800,706</u>	<u>20,209</u>	<u>1.14%</u>
Total Liabilities	<u>2,300,394</u>	<u>2,125,035</u>	<u>(175,359)</u>	<u>-7.62%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	45,497,572	47,358,781	1,861,209	4.09%
Restricted for County Road	<u>2,915,309</u>	<u>3,829,506</u>	<u>914,197</u>	<u>31.36%</u>
Total Net Assets	<u><u>\$ 48,412,881</u></u>	<u><u>\$ 51,188,287</u></u>	<u><u>\$ 2,775,406</u></u>	<u><u>5.73%</u></u>



**VAN BUREN COUNTY ROAD COMMISSION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Assets

A summary of changes in net assets for the year ended December 31, 2004 is as follows:

	Governmental Activities			
	2003	2004	Variance	Percent
Program Revenue				
Charges for Services				
License and Permits	\$ 200	\$ 525	\$ 325	162.50%
Charges for Services	269,101	252,096	(17,005)	-6.32%
Rents and Royalties	1,372	626	(746)	-54.37%
Operating Grants and Contributions				
Michigan Transportation Funds	5,802,167	6,259,101	456,934	7.88%
Investment Earnings	25,119	41,317	16,198	64.49%
Reimbursements	26,317	23,733	(2,584)	-9.82%
Capital Grants and Contributions				
Federal Grants	712,090	485,466	(226,624)	-31.83%
State Grants	758,067	207,879	(550,188)	-72.58%
Contributions From Local Units	2,870,749	2,959,007	88,258	3.07%
Contributions From Private Sources	1,074,972	322,509	(752,463)	-70.00%
Total Program Revenue	11,540,154	10,552,259	(987,895)	-8.56%
General Revenue				
Taxes	1,610,032	1,669,422	59,390	3.69%
Gain on Equipment Disposal	32,551	182,092	149,541	459.41%
Total General Revenue	1,642,583	1,851,514	208,931	12.72%
Total Revenues	13,182,737	12,403,773	(778,964)	-5.91%
Program Expenses				
Primary Road Maintenance	1,840,138	1,653,951	(186,187)	-10.12%
Local Road Maintenance	3,875,458	3,992,651	117,193	3.02%
State Trunkline Maintenance	261,387	233,207	(28,180)	-10.78%
Net Equipment Expense	(104,573)	(59,961)	44,612	-42.66%
Net Administrative Expense	631,107	703,488	72,381	11.47%
Infrastructure Depreciation	2,993,125	3,094,381	101,256	3.38%
Compensated Absences	6,114	(2,768)	(8,882)	-145.27%
Interest Expense	14,921	13,418	(1,503)	-10.07%
Total Program Expenses	9,517,677	9,628,367	110,690	1.16%
Changes in Net Assets	3,665,060	2,775,406		
Net Assets				
Beginning of Year	5,807,485	48,412,881		
Beginning Infrastructure Transfers	38,940,336			
End of Year	\$48,412,881	\$51,188,287	\$2,775,406	5.73%

**VAN BUREN COUNTY ROAD COMMISSION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

A summary of changes in the Operating Fund is as follows:

	12/31/2003 Operating Fund	12/31/04 Operating Fund	Favorable (Unfavorable) Variance	Variance Percent %
Revenue				
Taxes	\$ 1,610,032	\$ 1,669,422	\$ 59,390	3.69%
Permits	200	526	326	163.00%
Federal Grants	712,090	485,466	(226,624)	-31.83%
State Grants	6,560,234	6,466,980	(93,254)	-1.42%
Contributions From Local Units	2,810,594	2,959,007	148,413	5.28%
Charges for Services	269,101	252,096	(17,005)	-6.32%
Interest and Rents	26,419	41,942	15,523	58.76%
Other Revenue	1,194,067	528,334	(665,733)	-55.75%
Total Program Revenues	<u>13,182,737</u>	<u>12,403,773</u>	<u>(778,964)</u>	<u>-5.91%</u>
Expenditures				
Public Works (Road)	13,152,744	11,055,307	(2,097,437)	-15.95%
Net Capital Outlay	(665,148)	230,819	895,967	-134.70%
Debt Service	45,471	206,218	160,747	353.52%
Total Expenditures	<u>12,533,067</u>	<u>11,492,344</u>	<u>(1,040,723)</u>	<u>-8.30%</u>
Excess of Revenue Over (Under) Expenditures	<u>649,670</u>	<u>911,429</u>	<u>261,759</u>	<u>40.29%</u>
Fund Balance--Beginning	<u>2,536,345</u>	<u>3,186,015</u>	<u>649,670</u>	<u>25.61%</u>
Fund Balance--Ending	<u>\$ 3,186,015</u>	<u>\$ 4,097,444</u>	<u>\$ 911,429</u>	<u>28.61%</u>

**VAN BUREN COUNTY ROAD COMMISSION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets and Debt

	<u>2003</u>	<u>2004</u>	<u>Percent % Change</u>
Nondepreciating Assets			
Land and Improvements	\$ 68,269	\$ 68,269	0.00%
Land/Right-of-Way	24,429	24,429	0.00%
Infrastructure Improvements	<u>7,429,902</u>	<u>8,595,537</u>	<u>15.69%</u>
Subtotal	<u>7,522,600</u>	<u>8,688,235</u>	<u>15.50%</u>
Depreciating Capital Assets			
Land Improvements	93,694	93,694	0.00%
Depletable Assets	234,078	234,078	0.00%
Buildings	1,850,750	1,908,899	3.14%
Equipment	7,604,877	7,940,178	4.41%
Yard and Storage	72,084	182,595	153.31%
Infrastructure	<u>55,640,993</u>	<u>56,757,147</u>	<u>2.01%</u>
Subtotal	<u>65,496,476</u>	<u>67,116,591</u>	<u>2.47%</u>
Total Capital Assets	<u>73,019,076</u>	<u>75,804,826</u>	<u>3.82%</u>
Accumulated Depreciation			
Improvements, Depletable, Buildings	(689,248)	(732,203)	6.23%
Equipment	(6,084,178)	(6,314,366)	3.78%
Infrastructure--Roads and Bridges	<u>(20,498,887)</u>	<u>(21,343,085)</u>	<u>4.12%</u>
Total Accumulated Depreciation	<u>(27,272,313)</u>	<u>(28,389,654)</u>	<u>4.10%</u>
Total Net Capital Assets	<u><u>\$ 45,746,763</u></u>	<u><u>\$ 47,415,172</u></u>	<u><u>3.65%</u></u>

Long-Term Debt

	<u>2003</u>	<u>2004</u>	<u>Variance</u>	<u>Percent %</u>
Lease Purchase Agreements	<u>\$249,191</u>	<u>\$56,391</u>	<u>\$(192,800)</u>	<u>-77.37%</u>
Total Long-Term Debt	<u><u>\$249,191</u></u>	<u><u>\$56,391</u></u>	<u><u>\$(192,800)</u></u>	<u><u>-77.37%</u></u>

**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Budgetary & Financial Analysis***

**Budget**

The Road Commission amended its 2004 budget during the year to reflect changes in revenues and expenditures different from the time of the original planning and budgeting. Examples would include: Securing Federal and/or State revenue funding for specific road and bridge projects, township revenues and corresponding requests for maintenance projects, winter operations related to weather (ice and snow), costs such as health insurance premiums and pension contributions associated with labor, and/or fuel prices for equipment operations.

**Financial Position**

The 2004 overall financial position has improved as is evident by an increase in overall net assets of \$2,775,406 as well as an increase in the Road Commission's Operating Fund Balance. The increase of \$911,429 to the fund balance was in part the result of a one time increase in the MTF revenues due to the legislative action to institute a permanent trailer license (non-transferable) which provided a significant increase in MTF revenues across the state. Also, in 2004, the MDOT reclassified many areas across the state to comply with census data providing for urban area classification. This classification not only expanded the existing South Haven Small Urban Area, but also created a new Paw Paw Small Urban Area as well. This reclassification provided for an increase in MTF revenues due to an increase in Urban Miles in the two Small Urban Areas. The Road Commission also saw reduced expenditures for routine maintenance due to seasonal conditions and for heavy maintenance expenditures due to significant savings in bid projects and thus contributions from townships for said projects. Additionally, during 2004 there was no new debt. One of two installment purchase agreements was executed, reducing debt by \$192,800 or 77%. The Road Commission does not anticipate any new debt for 2005.

***Economic Outlook For 2005***

**MTF Revenues**

As was the case in fiscal year ending 2004 (with the exception of the one time trailer licensing revenue increase), MTF revenues are expected to remain relatively stable, possibly, 0% to 2.5% increase. The economic condition of the state and the local economy do not provide for any vision of "relief" due to increased MTF collections. The fairly "flat" revenues provide a continually shrinking confine for the Road Commission due to yearly increases in labor, rental and fringe benefit costs.

**VAN BUREN COUNTY ROAD COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Township Revenues--Revenue Sharing

The townships have provided over \$2,900,000 of their funds for heavy and special maintenance projects, mostly at their discretion. The current economic climate of Michigan appears to be again ready to shrink the township's revenue sharing again this year. As approximately half of the townships in the county rely heavily on general funds to fund road work and with the continual decline in revenue sharing, we would anticipate a decrease in township funded heavy maintenance projects.

Tax Revenues

A large source of funding for the Road Commission has been the collection of a countywide millage over the last 27 years. Beginning in 2005, approximately \$435,000 out of an estimated \$2,000,000 will begin to be distributed directly to the cities and villages of the county. The millage rate was "reset" to its original rate of 1.00 mill replacing the previous 0.8753 mills minimizing revenue reduction from this source of funding to about a 6% reduction. The current millage will be in effect for four years beginning with the 2004 levy.

Expenditures

Continued emphasis will be placed on the economy and productivity within the organization. The Road Commission will maintain the ability to continue routine and special maintenance operations, but reductions may occur in primary and local road heavy maintenance expenditures in direct relation to revenue reductions.

Requests for Information

This financial report is designed to provide a general overview of the Road Commission's finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Engineer-Manager, Lawrence B. Hummel, P.E., Van Buren County Road Commission, 325 West James Street, P.O. Box 156, Lawrence, Michigan 49064.

**VAN BUREN COUNTY ROAD COMMISSION  
STATEMENT OF NET ASSETS  
December 31, 2004**

**EXHIBIT A**

**ASSETS**

Cash	\$ 17,741
Investments	2,631,243
Accounts Receivable	
Taxes	1,555,000
State--Trunkline Maintenance	26,495
Michigan Transportation Fund	970,610
Due on County Road Agreements	153,594
Sundry Accounts	12,842
Inventories	
Road Materials	326,124
Equipment Parts and Materials	204,501
Capital Assets (Net of Accumulated Depreciation)	<u>47,415,172</u>
Total Assets	<u>53,313,322</u>

**LIABILITIES**

Current Liabilities	
Accounts Payable	24,982
Due to State of Michigan	13,913
Accrued Liabilities	86,595
Performance Bonds Payable	20,670
Advances From Townships	99,546
Deferred Revenue	
Property Taxes	1,555,000
Forest Road Funds	
Noncurrent Liabilities	
Installment Purchase Agreements Payable--Due Within One Year	27,540
Installment Purchase Agreements Payable--Due in More Than One Year	28,851
Vested Employee Benefits Payable	<u>267,938</u>
Total Liabilities	<u>2,125,035</u>

**NET ASSETS**

Investment in Capital Fixed Assets	
Net of Related Debt	47,358,781
Restricted for County Roads	<u>3,829,506</u>
Total Net Assets	<u>\$ 51,188,287</u>

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

**EXHIBIT B**

Program Expenses	
Primary Road Maintenance	\$ 1,653,951
Local Road Maintenance	3,992,651
State Trunkline Maintenance	233,207
Net Equipment Expense	(59,961)
Net Administrative Expense	703,488
Infrastructure Depreciation	3,094,381
Compensated Absences	(2,768)
Interest Expense	13,418
	<hr/>
Total Program Expenses	9,628,367
	<hr/>
Program Revenue	
Charges for Services	
License and Permits	525
Charges for Services	252,096
Rents and Royalties	626
Operating Grants and Contributions	
Michigan Transportation Funds	6,259,101
Investment Earnings	41,317
Reimbursements	23,733
Contributions From Local Units	1,138,823
Capital Grants and Contributions	
Federal Grants	485,466
State Grants	207,879
Contributions From Local Units	1,820,184
Contributions From Private Sources	322,509
	<hr/>
Net Program Revenue	923,892
	<hr/>
General Revenue	
Taxes	1,669,422
Gain on Equipment Disposal	182,092
	<hr/>
Total General Revenues	1,851,514
	<hr/>
Change in Net Assets	2,775,406
	<hr/>
Net Assets	
Beginning of Year	48,412,881
	<hr/>
End of Year	\$ 51,188,287
	<hr/>

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION**  
**BALANCE SHEET**  
**December 31, 2004**

**EXHIBIT C**

**GOVERNMENTAL  
FUND TYPE**

General  
Operating  
Fund

**ASSETS**

Cash	\$ 17,741
Investments	2,631,243
Receivables	
Taxes	1,555,000
Sundry Accounts	12,842
Due From State	
Trunkline Maintenance	26,495
Michigan Transportation Fund	970,610
Due on County Road Agreements	153,594
Inventories	
Road Materials	326,124
Equipment Parts and Materials	204,501
Total Assets	<u><u>\$ 5,898,150</u></u>

**LIABILITIES AND FUND EQUITY**

Liabilities	
Accounts Payable	\$ 24,982
Due to State	13,913
Accrued Liabilities	86,595
Performance Deposits Payable	20,670
Advances From Townships	99,546
Deferred Revenue--Taxes	1,555,000
Total Liabilities	<u>1,800,706</u>
Fund Equities	
Fund Balance	
Reserved for Inventory	530,625
Unreserved and Undesignated	3,566,819
Total Fund Equities	<u>4,097,444</u>
Total Liabilities and Fund Equities	<u><u>\$ 5,898,150</u></u>

**The Notes to Financial Statements are an integral part of this statement.**



**VAN BUREN COUNTY ROAD COMMISSION  
RECONCILIATION OF THE BALANCE SHEET FUND  
BALANCE TO THE STATEMENT OF NET ASSETS  
For the Year Ended December 31, 2004**

**EXHIBIT D**

Total Governmental Fund Balance	\$ 4,097,444
---------------------------------	--------------

Amounts reported for governmental activities in the Statement of Net Assets are  
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,415,172
------------------------------------------------------------------------------------------------------------------------------	------------

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	<u>(324,329)</u>
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Net Assets of Governmental Activities	<u><u>\$51,188,287</u></u>
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**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For the Year Ended December 31, 2004**

**EXHIBIT E**

	<u>Operating Fund</u>
Revenues	
Taxes	\$ 1,669,422
Permits	526
Federal Grants	485,466
State Grants	6,466,980
Contributions From Local Units	2,959,007
Charges for Services	252,096
Interest and Rents	41,942
Other Revenue	<u>528,334</u>
Total Revenues	<u>12,403,773</u>
Expenditures	
Public Works	10,244,544
Capital Outlay	1,041,582
Debt Service	<u>206,218</u>
Total Expenditures	<u>11,492,344</u>
Excess of Revenues Over (Under) Expenditures	911,429
Fund Balance--January 1, 2004	<u>3,186,015</u>
Fund Balance--December 31, 2004	<u><u>\$ 4,097,444</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES  
For the Year Ended December 31, 2004**

**EXHIBIT F**

Net Change in Fund Balance--Total Governmental Funds	\$ 911,429
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Amounts reported for governmental activities in the statement are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities.	4,762,790
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Lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the Statement of Net Assets. Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets.	192,800
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences and infrastructure depreciation)	<u>(3,091,613)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 2,775,406</u></u>
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**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION  
STATEMENT OF NET ASSETS--FIDUCIARY FUND  
December 31, 2004**

**EXHIBIT G**

	<u>Pension Trust</u>
<b><u>ASSETS</u></b>	
Investments at Fair Market Value	
US Government, Agencies, and Corporate Securities	\$ 1,752,151
Money Market Funds	115,380
Common Stocks	2,554,394
Accrued Income	<u>132</u>
Total Assets	<u>4,422,057</u>
<b><u>LIABILITIES</u></b>	
Total Liabilities	<u>-</u>
<b><u>NET ASSETS</u></b>	
Held in Trust for Pension Benefits	<u>\$ 4,422,057</u>

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION**  
**CHANGES IN NET ASSETS--FIDUCIARY FUND**  
**For the Year Ended December 31, 2004**

**EXHIBIT H**

	<u>Pension Trust</u>
Additions	
Contributions	
Employer	\$ 357,934
Employee	
Other Receipts	<u>23,667</u>
Total Contributions	<u>381,601</u>
Investment Income	
Interest and Dividends	144,375
Realized Gain (Loss) From Sale of Investments	387,663
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(238,936)</u>
Net Investment Income (Loss)	<u>293,102</u>
Total Additions	<u>674,703</u>
Deductions	
Benefit Payments	252,907
Administrative and Other Expenses	<u>19,520</u>
Total Deductions	<u>272,427</u>
Change in Net Assets	402,276
Net Assets Held in Trust for Pension Benefits--January 1, 2004	<u>4,019,781</u>
Net Assets Held in Trust for Pension Benefits--December 31, 2004	<u><u>\$ 4,422,057</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

The accounting policies of the Van Buren County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Van Buren County Road Commission.

### NOTE A--REPORTING ENTITY

The Van Buren County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3 member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt without the county's approval and the tax levy is subject to county board of commissioner's approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Van Buren County Road Commission, a component unit of Van Buren County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund money distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Van Buren County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt; or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expense are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

#### Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customer or applicants for goods or services or privileges provided; (2) Michigan transportation funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

#### Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

#### Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property Taxes Receivable

The property tax is levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st. The 2004 taxable valuation of the Van Buren County Road Commission amounted to \$2,296,161,391, less \$741,161,139 for renaissance zones, cities, villages and other adjustments on which ad valorem taxes of 1 mills were levied for the Road Commission for road construction purposes for a total of \$1,555,000.

The county's 2004 ad valorem tax is levied and collectible on December 1, 2004, and is reported as taxes receivable and is offset by deferred revenue at December 31, 2004.

#### Inventories

Inventories are priced at cost as determined on the average cost method. Inventory items are charged to road construction and equipment maintenance, and repairs and operations as used.

#### Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by Van Buren County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

#### Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years



# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property Taxes

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Road Commission's tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing operations.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long term obligations are reported as liabilities in the Operating Fund Statement of Net Assets

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE C--BUDGETARY PROCEDURES

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the board of county road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief administrative officer (manager) prepares and submits a proposed operating budget to the board for its review and consideration. The board of county road commissioners conducts a public budget hearing and, subsequently, adopts the operating budget. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--BUDGETARY PROCEDURES (Continued)

The Road Commission has not complied with certain provisions of Public Act 2 of 1968, as amended. The following activities and total expenditures exceeded the amended budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
State Trunkline Maintenance	\$ 232,500	\$ 233,207	\$ (707)

### NOTE D--CASH DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the County Road Fund are made in banks in the name of the Van Buren County Treasurer. Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the county treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has adopted an investment policy in accordance with the requirements of Public Act 196 of 1997, and includes all the investments listed above.

The Road Commission's insured deposit amount results from the County Road Fund meeting certain specified criteria under FDIC regulations.

The risk disclosures for the Road Commission's deposits and investments, as required by GASB Statement No. 3, are as follows:

<u>Imprest Cash and Deposits</u>	<u>Carrying Amount</u>	<u>Institution Balances</u>
Operating Fund		
Insured (FDIC)	\$ 17,441	\$ 36,894
Imprest Cash	300	
Total Operating Fund	<u>\$ 17,741</u>	<u>\$ 36,894</u>

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE D--CASH DEPOSITS AND INVESTMENTS (Continued)

The GASB Statement No. 3 risk disclosures for the Van Buren County Road Commission's investments are as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Nonrisk-Categorized		
Business Sweep	\$ 218,304	\$ 363,722
Fifth Third Money Market Fund	<u>2,412,939</u>	<u>2,412,939</u>
Total Operating Fund	<u>\$2,631,243</u>	<u>\$2,776,661</u>
Pension Trust Fund		
Risk-Categorized		
US Government, Agencies and Corporate Securities	\$ 1,752,151	\$ 1,752,151
Nonrisk-Categorized		
Fifth Third Bank Money Market Fund	115,380	115,380
Common Stocks	2,554,394	2,554,394
Accrued Income	<u>132</u>	<u>132</u>
Total Pension Trust	<u>\$4,422,057</u>	<u>\$4,422,057</u>
Total Investments	<u>\$7,053,300</u>	<u>\$7,198,718</u>

Risk-Categories: The money market investments are invested in a pooled money market, which cannot, by definition be categorized by risk, which is in accordance with GASB Statement No. 3.

### Pension Trust Fund

Michigan Compiled Laws, Section 38.1121, authorizes the Road Commission to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types. The Road Commission pension fund investments are in accordance with statutory authority. Some Pension Trust monies are invested in common stocks and money market funds, which cannot, by definition, be categorized by risk, which is in accordance with GASB Statement No. 3.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE E--CAPITAL ASSETS

The following is a summary of the changes in capital assets:

	Account Balances 01/01/04	Additions	Deductions	Account Balances 12/31/04
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 68,269			\$ 68,269
Infrastructure Right of Ways	24,429			24,429
Infrastructure Land Improvements	7,429,902	\$1,165,635		8,595,537
Subtotal	7,522,600	1,165,635	\$ -	8,688,235
Capital Assets Being Depreciated				
Land Improvements	93,694			93,694
Buildings and Improvements	1,850,750	58,149		1,908,899
Road Equipment	7,368,958	842,020	527,518	7,683,460
Shop Equipment	85,223	4,779	612	89,390
Office Equipment	77,024	2,601	1,100	78,525
Engineers' Equipment	73,671	23,522	8,390	88,803
Yard and Storage	72,085	110,510		182,595
Depletable Assets	234,078			234,078
Infrastructure--Traffic Signals	134,629			134,629
Infrastructure--Bridges	7,435,578	7,082		7,442,660
Infrastructure--Roads	48,070,786	3,359,255	2,250,183	49,179,858
Total	65,496,476	4,407,918	2,787,803	67,116,591
Less Accumulated Depreciation				
Land Improvements	11,350	3,405		14,755
Buildings	565,697	39,302		604,999
Road Equipment	5,841,840	679,923	469,144	6,052,619
Shop Equipment	64,031	4,172	612	67,591
Office Equipment	53,224	7,454	1,010	59,668
Engineers' Equipment	60,227	10,545	5,754	65,018
Yard and Storage	64,856	4,614		69,470
Depletable Assets	112,201	248		112,449
Infrastructure--Traffic Signals	52,241	8,975		61,216
Infrastructure--Bridges	2,165,406	149,742		2,315,148
Infrastructure--Roads	18,281,240	2,935,664	2,250,183	18,966,721
Total	27,272,313	3,844,044	2,726,703	28,389,654
Net Capital Assets Being Depreciated	38,224,163	4,407,918	3,905,144	38,726,937
Total Net Capital Assets	<u>\$45,746,763</u>	<u>\$5,573,553</u>	<u>\$3,905,144</u>	<u>\$47,415,172</u>

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE E--CAPITAL ASSETS (Continued)

Depreciation expense charged to programs of the Road Commission is as follows:

Net Equipment Expense	
Direct Equipment	\$ 679,923
Indirect Equipment	36,011
Net Administrative Expenses	
Building	12,077
Engineering	10,545
Office Equipment	7,454
Land Improvements	3,405
Depletable Assets	248
Infrastructure Depreciation Expense	<u>3,094,381</u>
Total Depreciation Expense	<u><u>\$ 3,844,044</u></u>

### NOTE F--LONG-TERM DEBT

The long-term debt of the Road Commission may be summarized as follows:

	<u>Balance</u> <u>01/01/04</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>12/31/04</u>	<u>Due Within</u> <u>One Year</u>
2 Caterpillar Wheel Loaders Model 950G 950G, \$138,000 Capital Lease Dated May 3, 2002	\$ 82,682	\$ (26,291)	\$ 56,391	\$ 27,540
2 Komatsu Wheel Loaders Model WA320-3MC, 201,860 Capital Lease Dated September 30, 1999	166,509	(166,509)	-	
Vested Employee Benefits Vacation and Sick Leave	<u>270,706</u>	<u>(2,768)</u>	<u>267,938</u>	
Totals	<u><u>\$ 519,897</u></u>	<u><u>\$ (195,568)</u></u>	<u><u>\$ 324,329</u></u>	<u><u>\$ 27,540</u></u>

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--LONG-TERM DEBT (Continued)

The annual interest and principal requirements of the Road Commission's long-term borrowing may be summarized as follows:

Two Caterpillar Wheel Loaders Model 950G were purchased in March 2002 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$138,000, with 5 annual payments of \$30,220 at an implied interest rate of 4.75%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 12/31/04</u>	<u>Interest Payable if Held to Maturity</u>
3/10/2002	\$138,000	4.75%	2005	\$27,540	\$ 2,679
				<u>28,851</u>	<u>1,370</u>
Total				<u>\$56,391</u>	<u>\$ 4,049</u>

### Vested Employee Benefits

Vacation is earned in varying amounts depending on the number of years of service of an employee and is made available to employees on their anniversary dates. Vacation pay at 100% is payable to the employee when employment is severed. At December 31, 2004, there was \$106,343 recorded as vacation liability.

Union employees--Sick leave is accumulated at the rate of 4 hours per pay period for union employees, not to exceed 760 hours or 95 days. Upon retirement or death of an employee, the employee or his estate shall receive an amount equal to 50% of the sick leave credits at the hourly rate he was paid on the last day worked.

Nonunion employees--Sick leave is earned at a rate of 6 hours per month to a maximum of 54 days. Days in excess of the maximum will be paid off at a rate of 50% annually. Upon retirement or death of an employee with less than 15 years of service, the employee or his estate shall receive an amount equal to 50% of the employee's unused sick leave credits at the rate paid on the last day worked. For employees with 15 or more years of service, the employee or his estate shall receive an amount equal to 60% of the employee's unused sick leave credits at the rate paid on the last day worked to a maximum of 54 days.

At December 31, 2004, there was a total of \$161,595 recorded as sick leave liability for both the union and nonunion employees.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--EMPLOYEES' RETIREMENT SYSTEM

#### Plan Description

The Van Buren County Road Commission pension plan is a single employer-defined benefit plan administered through Fifth Third Bank. The information disclosed, as of December 31, 2004, is based on information provided by Fifth Third Bank. The Fifth Third Bank plan had 56 active participants and 37 retirees as of January 1, 2005, the most recent period for which actuarial data was available. The plan administrator, Fifth Third Bank, did not issue a separate report for the year 2005.

The system provides retirement, disability and death benefits to plan members and their beneficiaries in accordance with the Road Commission labor agreements and personnel policies.

#### Funding Policy

The Road Commission has the policy to contribute the actuarially determined amount yearly. Fifth Third Bank separately identifies and reports on the contributions and earnings in a "Defined Benefit Pension Plan Account." During 2004, contributions were invested in money market investments, stocks, and bonds.

#### Contributions

Each employee becoming eligible to participate in the plan is required to contribute a percentage of their compensation equal to 4% or 5% for nonunion and union, respectively. The Road Commission makes contributions in accordance with the minimum recommended employer contribution required by the actuary plan. During the plan year ended December 31, 2004, the Road Commission contributions totaled \$357,934.

#### Summary of Significant Accounting Policies and Plan Asset Matters

The assets of the pension plan consist of money market investments, stocks, and bonds purchased under the control of Fifth Third Bank. The company currently provides monthly "statement highlights" providing a summary of balances, which provides the income and expense data accounting for the monthly changes in the Group Annuity Contract value for the General Account only. These statements provided for the audit report are effective through December 31 each year.

# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

#### Schedule of Funding Progress (2)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2004	\$4,316,363	\$ 5,435,019	79%	\$ (1,118,656)	\$2,001,070	56%
2003	3,722,086	5,283,149	70	(1,561,063)	1,981,462	79
2002	3,829,869	4,965,564	77	(1,135,695)	1,825,033	62
2001	3,864,242	4,851,207	80	(986,965)	1,632,963	60
2000	3,721,962	4,543,259	81	(821,297)	1,305,284	62
1999	3,608,460	3,933,107	90	(324,647)	1,395,640	23
1998	3,240,833	3,771,938	86	(531,105)	1,407,036	38
1997	2,910,125	3,251,426	90	(341,301)	1,339,618	25

#### Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2004	\$223,811	\$223,811	100%
2003	196,981	196,981	100%
2002	166,870	166,870	100%
2001	134,867	134,867	100%
2000	97,809	99,366	100%
1999	120,998	120,998	100%
1998	124,440	124,440	100%
1997	116,211	116,211	100%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2004, the latest actuarial valuation, follows:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	(1)
Remaining Amortization Period	10 years
Asset Valuation Method	Adjusted Market Value
Actuarial Assumptions	
Investment Rate of Return	7%
Projected Salary Increases*	5%

(1) Information not provided in actuarial report.

(2) GASB Statements No. 25 and No. 27 require 10 years of information. Information not available to complete table per GASB Statement No. 25 and GASB Statement No. 27.



# VAN BUREN COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--DEFERRED COMPENSATION PLAN

The Van Buren County Board of Road Commissioners offers all Road Commission employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457 with Comprehensive Financial Services, Inc. The assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

### NOTE I--POST-EMPLOYMENT BENEFITS

The Road Commission provides post-employment health and dental care benefits, in accordance with labor contracts and personnel policy, to all employees who retire under the provisions of the Van Buren County Road Commission Pension Plan or completing 12 years of service; after having attained age 62 or more, the Road Commission will pay 95% or 100% (depending on the plan) of the premium or subscription rate for the continuance of the hospital and surgical coverage for the employee and his/her then eligible spouse. The Road Commission will also continue to pay 95% or 100% (depending on the plan) of the premium or subscription rate for the health insurance for widows of employees who have had 15 or more years of service with the Road Commission or widows of employees who are killed on the job. Currently, 31 retirees met those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Premiums paid by the Road Commission in 2004 totaled \$215,384 less \$6,088 reimbursed by retirees for a net total cost of \$209,294.

As of January 1, 2005, the Road Commission will begin paying the following maximum contributions toward health, dental and vision insurance premiums:

Single:	Up to \$397/month
Two-Person:	Up to \$911/month
Family:	Up to \$1,048/month

## VAN BUREN COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### NOTE J--RISK MANAGEMENT

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State.

The Pool operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason the Pool's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

The Road Commission pays an annual premium to the Pool for property coverage (buildings and contents), automobile and equipment liability, trunkline liability, errors and omissions and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board. Commercial insurance was purchased for health care benefits.

The Road Commission also has self-insurance for workers' compensation as a member of the County Road Association Self-Insurance Fund.

At December 31, 2004, there were no claims which exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years. Settled claims for the Road Commission have not exceeded the amount of insurance coverage in any of the past 3 years.

#### NOTE K--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2004, the Federal aid received and expended by the Road Commission was \$485,466 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

## VAN BUREN COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### NOTE L--CONTINGENCIES

The Van Buren County Road Commission currently has litigation pending in the Van Buren County Circuit Court and is entitled, "The City of South Haven v. Board of County Commissioners of the County of Van Buren, Board of County Road Commissioners of the County of Van Buren, and Karen McKay, Van Buren County Treasurer," which involves a road millage for the improvement of a countywide ballot which has stated for the last 20 to 25 years, "shall there be a renewal of the .9269 mill (\$.9269 per \$1,000) of the taxable value on taxable property in Van Buren County, for the next five years, specifically for the purpose of maintenance, repair and construction of primary county roads and local county roads in Van Buren County." The answer to the complaint has been filed and the parties are attempting to resolve this matter by first seeking an out of court settlement, and as a final resolution, to contest the case vigorously. An evaluation at the time is unable to be made because there are several legal issues involving parties other than the Van Buren County Road Commission.

#### NOTE M--STATE TRUNKLINE

In February 2004, the Michigan Department of Transportation (MDOT) and the Van Buren County Road Commission reached a settlement agreement regarding liability insurance on the State Trunkline audits from 1996 through 2001. The settlement also included adjustments for the years 2002 through 2004 that have not yet been audited. The terms of the settlement found that the MDOT owed the Road Commission \$41,720. An audit was also conducted on the usage of facility construction costs on contract 96-0375 which resulted in the Road Commission owing MDOT \$23,526. The net audit result of \$18,194 is reflected in the State trunkline revenue during 2004.

**VAN BUREN COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF REVENUES--BUDGET TO ACTUAL  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2004**

**EXHIBIT I**

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes				
Property Taxes	\$ 1,650,000	\$ 1,669,000	\$ 1,669,422	\$ 422
Licenses and Permits				
Weight Permits	-	-	526	526
Federal Grants				
Surface Transportation Program	180,000	245,500	245,583	83
"D" Funds	-	239,500	239,653	153
Critical Bridge	207,000	-	230	230
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	3,247,000	3,399,500	3,624,589	225,089
Local Road	2,190,000	2,280,500	2,354,112	73,612
Primary Urban Road	125,000	126,000	163,795	37,795
Local Urban Road	12,000	12,000	54,550	42,550
Snow Removal	50,000	50,000	52,055	2,055
Critical Bridge	11,500	-	43	43
Economic Development Funds				
Rural Primary (D)	180,000	207,500	207,836	336
Contributions--Local Units				
Townships	2,900,000	2,948,000	2,959,007	11,007
Charges for Services				
State Trunkline Maintenance	190,000	248,000	251,402	3,402
Salvage Sales	-	-	694	694
Interest and Rents				
Interest Earned	-	69,000	41,316	(27,684)
Rents and Royalties			626	626
Other Revenue				
Contributions From Private Sources		350,000	322,509	(27,491)
Reimbursements			23,733	23,733
Gain on Equipment Disposal	100,000	150,000	182,092	32,092
Total Revenue	11,052,500	12,004,500	\$ 12,403,773	\$ 399,273
Fund Balance--January 1, 2004	2,474,903	3,186,015		
Total Budget	\$ 13,527,403	\$ 15,190,515		

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2004**

**EXHIBIT J**

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Heavy Maintenance	\$ 1,287,293	\$ 1,704,496	\$ 1,704,180	\$ 316
Maintenance	1,802,286	1,722,358	1,653,951	68,407
Local Road				
Construction		318,200	318,125	75
Heavy Maintenance	2,575,336	2,504,012	2,502,584	1,428
Maintenance	3,939,625	4,025,173	3,992,651	32,522
Primary Road Structure				
Maintenance	5,000	-	-	-
Local Road Structure				
Heavy Maintenance	251,645	7,259	7,082	177
Maintenance	8,000	-	-	-
State Trunkline Maintenance	190,000	232,500	233,207	(707)
Equipment Expense--Net	262,086	(62,725)		
Direct			\$ 1,467,469	
Indirect			602,587	
Operating			229,306	
Less: Equipment Rentals			(2,359,324)	2,763
Administrative Expense--Net	764,729	727,927		
Administrative Expense			749,240	
Less: Handling Charges			-	
Purchase Discounts			(4,598)	
Overhead--Other			(23,476)	
Overhead--State			(17,677)	24,438
Capital Outlay--Net	-	234,150		
Capital Outlay			1,041,582	
Less: Depreciation Credits			(749,663)	
Equipment Retirements			(61,100)	3,331
Debt Service				
Principal Payments	192,801	192,801	192,800	1
Interest Expense	13,420	13,420	13,418	2
Contingency	5,000			
Total Expenditures	11,297,221	11,619,571	\$ 11,492,344	\$ 132,753
Fund Balance--December 31, 2004	2,230,182	3,570,944		
Total Budget	\$ 13,527,403	\$ 15,190,515		

**The Notes to Financial Statements are an integral part of this statement.**

**VAN BUREN COUNTY ROAD COMMISSION**  
**ANALYSIS OF CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2004**

**EXHIBIT K**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 4,937,502	\$6,265,556	\$ 1,200,715	\$12,403,773
Total Expenditures	3,806,453	7,255,946	429,945	11,492,344
Excess of Revenues Over (Under) Expenditures	1,131,049	(990,390)	770,770	911,429
Other Financing Sources (Uses) Optional Transfers	(1,131,049)	1,131,049		-
Total Other Financing Sources (Uses)	(1,131,049)	1,131,049	-	-
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	-	140,659	770,770	911,429
Fund Balance--January 1, 2004	-	-	3,186,015	3,186,015
Fund Balance--December 31, 2004	\$ -	\$ 140,659	\$ 3,956,785	\$ 4,097,444

**VAN BUREN COUNTY ROAD COMMISSION**  
**ANALYSIS OF REVENUES AND OTHER**  
**FINANCING SOURCES**  
**For the Year Ended December 31, 2004**

**EXHIBIT L**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Taxes				
Property Taxes	\$ 169,615	\$ 548,410	\$ 951,397	\$ 1,669,422
Licenses and Permits				
Weight Permits			526	526
Federal Grants				
Surface Transportation Program	245,583			245,583
"D" Funds	239,653			239,653
Critical Bridge		230		230
State Grants				
Michigan Transportation Fund				
Engineering	6,030	3,970		10,000
Allocation	3,624,589	2,354,112		5,978,701
Urban	163,795	54,550		218,345
Snow Removal	21,598	30,457		52,055
Critical Bridge		43		43
Economic Development Fund				
Rural Primary (D)	207,836			207,836
Contributions--Local Units				
Townships	7,401	2,951,606		2,959,007
Charges for Services				
State Trunkline Maintenance	251,402			251,402
Salvage Sales			694	694
Interest and Rents				
Interest Earned			41,316	41,316
Rents and Royalties			626	626
Other Revenue				
Contributions From Private Sources		322,178	331	322,509
Reimbursements			23,733	23,733
Gain on Equipment Disposal			182,092	182,092
Total Revenue	\$ 4,937,502	\$ 6,265,556	\$ 1,200,715	\$ 12,403,773

**VAN BUREN COUNTY ROAD COMMISSION**  
**ANALYSIS OF EXPENDITURES**  
**For the Year Ended December 31, 2004**

**EXHIBIT M**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Heavy Maintenance	\$ 1,704,180			\$ 1,704,180
Maintenance	1,653,951			1,653,951
Local Road				
Construction		\$ 318,125		318,125
Heavy Maintenance		2,502,584		2,502,584
Maintenance		3,992,651		3,992,651
Local Road Structures				
Heavy Maintenance		7,082		7,082
State Trunkline Maintenance	233,207			233,207
Equipment Expense--Net (Per Exhibit J)	(16,981)	(35,889)	\$ (7,092)	(59,962)
Administrative Expense--Net (Per Exhibit J)	232,096	471,393		703,489
Capital Outlay--Net (Per Exhibit J)			230,819	230,819
Debt Service				
Principal Payments			192,800	192,800
Interest Payments			13,418	13,418
Total Expenditures	\$ 3,806,453	\$ 7,255,946	\$ 429,945	\$ 11,492,344





JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

March 10, 2005

Van Buren County Road Commission  
Board of County Road Commissioners  
300 James Street  
P.O. Box 156  
Lawrence, Michigan 49064

RE: Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of Van Buren County Road Commission, a component unit of Van Buren County, as of and for the year ended December 31, 2004, and have issued our report thereon dated March 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Van Buren County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Van Buren County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their

assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division